

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

TELECOMMUNICATIONS DIVISION
Public Programs Branch

RESOLUTION T-15984
January 13, 1997

R E S O L U T I O N

RESOLUTION T-15984. ALL LOCAL EXCHANGE COMPANIES, INTEREXCHANGE CARRIERS, CELLULAR CARRIERS AND OTHER CERTIFIED COMPANIES WHO ARE SUBJECT TO ASSESSING THE UNIVERSAL LIFELINE TELEPHONE SERVICE (ULTS) SURCHARGE. ORDER SETTING THE SURCHARGE RATE ON SERVICES SUBJECT TO THE ULTS SURCHARGE TO SUPPORT THE UNIVERSAL LIFELINE TELEPHONE SERVICE PROGRAM PURSUANT TO THE MOORE UNIVERSAL TELEPHONE SERVICE ACT.

SUMMARY

All Local Exchange Companies, Interexchange Carriers, Cellular Carriers and other companies who are subject to assessing the ULTS surcharge are ordered by the Commission to collect a 3.2% surcharge on service rates of all intrastate end user services except for: one way radio paging, ULTS services billed, public coin in box or debit card calls, contracts effective before September 15, 1994, usage charges for service to COPTs and Directory Advertising. The surcharge will fund the Universal Lifeline Telephone Service program and allow an adequate reserve.

BACKGROUND

Assembly Bill (AB) 386 was enacted on July 15, 1987 to replace AB 1348 (1983) and to provide funding for the ULTS program. The Commission, in compliance with the bill, authorized in Decision (D.)87-07-090, a 4% surcharge on service rates of intrastate inter-Local Access and Transport Area (LATA) services beginning on July 29, 1987. The surcharge was extended to intrastate intraLATA toll beginning on January 1, 1988 to provide adequate funding for the program. The surcharge was extended to all end user service, except for specific exceptions, by Decision (D.)94-09-065 on January 1, 1995. Since the inception of the program the surcharge rate has been changed as follows:

<u>Beginning</u>	<u>Decision or Resolution No.</u>	<u>Rate</u>
July 1, 1988	T-12093	4.0%
July 1, 1989	T-13071	2.5%
July 1, 1990	T-14081	3.4%
July 1, 1991	T-14400	3.0%
July 1, 1992	T-14960	4.0%
Mar 1, 1993	T-15221	5.0%
July 1, 1993	T-15322	6.0%
July 1, 1994	T-15558	6.0%
January 1, 1995	94-09-065	3.0%
January 1, 1996	T-15799	3.2%

AB 386 did not, after establishing an initial rate, provide specific directions for establishing surcharge rates or the related amount of reserve for the ULTS Fund. However, the legislation allows the Commission to "determine any questions of fact in the administration of this article."

DISCUSSION

The number of ULTS customers has grown steadily since 1987 and is projected to reach 3.3 million by December 31, 1997. The following table illustrates this growth.

ULTS Customers

June 30, 1987	1,095,293	
June 30, 1988	1,254,647	
June 30, 1989	1,387,100	
June 30, 1990	1,552,800	
June 30, 1991	1,761,200	
June 30, 1992	1,951,100	
June 30, 1993	2,321,500	
June 30, 1994	2,580,000	
June 30, 1995	2,700,000	
December 31, 1995	3,100,000	
December 31, 1996	3,200,000	(projected)
December 31, 1997	3,300,000	(projected)

The Commission, in D. 87-10-088 established an annual filing procedure whereby Pacific Bell (Pacific) would file the funding requirement and the required surcharge percentage for the ULTS program on April 15 for the next fiscal year beginning July 1. The Commission, in Ordering Paragraph 76 of D. 94-09-065 effectively changed the funding periods for the ULTS Program by changing the date on which the revenue survey is to be filed, with Commission Advisory and Compliance Division (now Telecommunications Division), to August 1 of each year. The revenue estimate is used to establish the base for the respective surcharges for the succeeding year. The forecast claims were filed by Local Exchange Companies as advice letters

on August 1, 1996. No comments were received on the advice letter filings.

The revenue subject to the ULTS surcharge is projected to be \$12.3 billion for the fiscal year ended December 31, 1997, and the funding requirement is projected to be \$396 million. Based on these projected amounts, the surcharge should be retained at 3.2%. The rate is derived by dividing \$396 million by \$12.3 billion and rounding to the nearest tenth of one percent rate.

The projections that were filed with the Commission are changed little from the estimates filed for the 1996 year. However, actual revenue figures, as reflected on monthly surcharge reports, have been trending upward. The revenue forecasts, as evaluated by the Telecommunications Division are not considered to be reliable due to uncertainties introduced by the entry of Competitive Local Carriers (CLCs) into the market. Similarly, the estimates of total claims on the ULTS Program do not appear to be reliable due to the entry of CLCs into the market and the Commission ordered differing treatment of marketing expenses during the 1997 year. Telecommunications Division has computed a trend in both claims and collections, based upon the last recorded six months of the ULTS Program. The trend analysis indicates that, while the survey figures may not appear to be reliable, they are not in error enough to risk either a significant over or under collection of ULTS surcharges.

The Telecommunications Division has reviewed and evaluated the computations and has concluded that the 3.2% surcharge rate should be adopted. At the 3.2% rate the program will have adequate funding to pay for its day-by-day costs and to maintain a reserve. The rate of 3.2% will result in a projected balance of \$107.1 million (\$109.7 million projected at December 31, 1996 less an estimated \$2.6 million ULTS fund balance decrease) as of December 31, 1997. The \$107.1 million balance is about three months of projected claims. Three months is the minimum time that would be required to process a resolution to revise the ULTS rate and allow time for changes to be made in billing systems to bill and collect the revised surcharge.

Changes in the ULTS Surcharge rates usually are effective as of January 1, the first day of the ULTS Program's fiscal year. This year we are delaying the effective date of the new surcharge rate, to be consistent with the new surcharge programs, California High Cost Fund B and the Teleconnect Fund, that become effective on February 1, 1997. The delay in the effective date will allow companies who must collect surcharges to make only one change in their billing system programs as of February 1, 1997 instead of two such changes. It will also allow the Commission to issue a new Combined California PUC Telephone Surcharge Transmittal which will include all current Commission Surcharges. A copy of the revised form is attached as Attachment 1.

For clarity to the subscriber, the surcharge should continue to be specifically identified on the subscriber's bill as "Universal Lifeline Telephone Service Surcharge."

In Resolution T-15558 (June 8, 1994) we waived the notice requirements of General Order 96-A, Section III, G.1., the requirement to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over one hundred notices advising them of regulation change they already know about. Since that time nothing has happened to change our opinion, so we will again waive this notice requirement, for tariff changes which comply with this resolution.

FINDINGS

The Commission finds that:

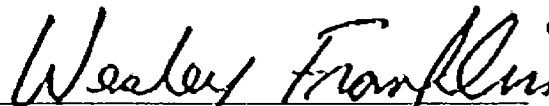
1. A surcharge rate of 3.2% will provide sufficient revenue to fund the projected ULTS program expenses. This will result in an ULTS fund balance of approximately \$107.1 million (\$109.7 million projected projected balance at December 31, 1996 less \$2.6 million fund balance decrease) at December 31, 1997.
2. A fund surplus of \$107.1 million at December 31, 1997 is necessary to meet the day-by-day costs of the program and to provide a reasonable reserve. This reserve is approximately three months of projected program costs. Three months is the minimum amount of time that would be required to process and approve a change in the ULTS surcharge rate and allow for billing system changes to be made to put the change into effect.
3. The rates, charges and conditions authorized in this Resolution are just and reasonable.
4. The Commission reserves the right in the future to review the surcharge rate and adjust it as necessary to support the ULTS program requirements.
5. Subscribers may have a better understanding of their telephone bill if the utilities are required to continue to include the surcharge as a separate line item on customers' bills.
6. It is neither in the public's interest nor in the telecommunications utilities' interest to require all utilities to notice all other utilities of a Commission order of which they are all aware.
7. It is reasonable to make the effective date of this resolution February 1, 1997, the effective dates of the new surcharges, and to make a revised Surcharge Transmittal form available, which will include the new funds, as of that date.

THEREFORE, IT IS ORDERED that:

1. All Local Exchange Companies, Interexchange Carriers, Cellular carriers and other certified companies who are subject to the collection of ULTS surcharges, shall collect a 3.2% surcharge on service rates of all intrastate end user services, except for those that have been specifically excluded, to fund the Universal Lifeline Telephone Service program. The Combined California PUC Telephone Surcharge Transmittal, identified as attachment 1, shall be used to transmit all payments for periods on or after February 1997 or until revised.
2. The surcharge rate shall be effective for all billings processed on or after February 1, 1997 and continue until changed by the Commission.
3. All telecommunications utilities subject to the ULTS surcharge shall file revised tariff schedules in accordance with the provisions of G.O. 96-A on or before January 29, 1997 which shall be effective on February 1, 1996.
4. The surcharge shall be identified on the subscriber's bill as "Universal Lifeline Telephone Service Surcharge."
5. All Local Exchange companies and Interexchange Companies are granted an exemption from the noticing requirement of General Order 96-A, Section III, G.1 for this filing only.

The effective date of this resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 13, 1997. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

PUBLIC UTILITIES COMMISSION

350 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

January 1997

TO: All Service Suppliers Subject to the Universal Lifeline Telephone Service surcharge, the California High Cost Fund surcharge, and the California Relay Service and Communications Device Fund surcharge.

SUBJECT: Combined California PUC Telephone Surcharge Transmittal

Attached is a copy of the Combined California PUC Telephone Surcharge Transmittal. This form has been revised to effect the changes made in the programs by California Public Utilities Commission Decisions (D.)94-09-065 and (D)96-10-066.

Uniform billing Base

D.94-09-065 adopts the billing base proposed by the Commission's Division of Ratepayer Advocates (DRA) with the addition of Category III Services. Category III Services are defined as unregulated communications services. "Under DRA's proposal, the billing base would include all intrastate end-user telecommunications services provided by certificated telecommunications companies, with a few exceptions."¹ "DRA also proposes that . . . if a Category III service is bundled with a Category I or Category II service, the surcharge would apply to billings for the entire bundled service."

The Commission has adopted the billing base and ordered that the three surcharges be applied to it. D.94-09-065 states: "DRA's proposed billing base, as amended to include Category III Service, is adopted as the billing base for ULTS and the DEAF Trust. In addition, we will apply the surcharge to fund CHCF to this billing base." D.96-10-066 orders that surcharges be collected for the California High Cost Fund B and the California Teleconnect Fund using the same billing base.

Specific billing Base exclusions

D. 94-09-065 provides that the following specific services are excluded from these surcharges:

- Lifeline Services
- One-way Radio Paging Services
- Customer specific contracts existing prior to the effective date of D.94-09-065, (September 15, 1994)
- Coin sent paid telephone calls(Coin in box)and debit card calls
- Directory advertising services (Decision D.95-02-050)
- Usage charges for COPT telephones.

Since the surcharges apply only to end user services, services provided by one certificated company to another, for resale, are not subject to surcharge.

¹All quotations refer to California Public Utilities Commission Decision D.94-09-065 unless otherwise indicated.

Exempt Companies or organizations

There are no exemptions for specific types of companies. All certificated carriers are subject to surcharges. If a specific service has been specifically excluded from surcharge, the exclusion does not transfer to other services that are not exempted from surcharge but are related or unrelated to excluded service. In some cases the amount subject to surcharge and the surcharges collected for the applicable period may equal zero. That does not exempt the Company from reporting and other administrative requirements of the programs.

Reporting and Remittance Cycle

Reports should be prepared on an as billed basis, not as earned. For example, for services billed in the month of January, it is assumed that the receivable is collected in February and the remittance of surcharges is due by March 10. Reports must be submitted on a monthly basis, with some limited exceptions, and amounts due must be remitted to the specific trust accounts. Reports must be submitted even if the amount due is zero.

If the amount due for the ULTS Surcharge is usually less than \$100 per month, you may be able to elect semi-annual payments. You must request permission for the change from the Chief, Public Programs Branch. No request will be considered unless all payments and reports are current at the time of the request. Companies approved for semi-annual payments must revert to monthly payments if the amount due to the ULTS trust exceeds \$100 per month for three consecutive months. Reports and payments are due, under this plan, by July 10 for the period January to June and January 10 for the period July to December of each year.

All reports must be signed by a responsible member of Company management or by a designated agent. If an agent is retained to complete the form and remit surcharges, it is your responsibility to assure that remittances are properly identified on documents provided to the Commission or to the respective Trusts. If you are submitting a transmittal for several companies under a common management, the specific details of each of the companies must be provided in the transmittal. Reports and remittances not properly identified will be considered delinquent and be subject to the revocation process ordered in D.93-05-010.

Report Forms

The attached Combined California PUC Telephone Surcharge Transmittal form format must be followed. If you wish to automate the form, all lines must be included on the form. There must be a certification statement and an identification block with the same items as on the attached form. There must also be a "Trust Office Use Only" block on the form.

If you have any problem completing the form or if you have any questions concerning the billing base, please contact the ULTS Program Coordinator at 415-703-1633.

Verification

All surcharge reports are subject to audit verification by the Commission staff or other auditor authorized by the Commission. Decision D.93-05-010 gives the Commission staff authority to process a resolution revoking a Certificate of Public Convenience and Necessity of carriers 90 days or more in arrears on remitting reports and surcharges.

COMBINED CALIFORNIA PUC TELEPHONE SURCHARGE TRANSMITTAL

MONTH ENDED _____

1. Total Intrastate revenue billed for the Month \$ _____
2. Less: Uncollectibles (if applicable) _____
3. Net Revenues (Ln1 - Ln2) _____
4. Exclusions:(see instructions) _____
5. Net amount subject to surcharge (Ln 3 - Ln 4) _____

6. a Total ULTS Surcharge Due and Payable (Ln 5 x 3.2%) _____

Check or wire transfer number _____

SEND CHECK TO: BANK OF AMERICA NT&SA, A/C#10-10-022-5218860ULTS, P.O. BOX 37000, UNIT 16753
SAN FRANCISCO, CA. 94137-0001

**6. b Total California Relay Service and Communications Device Fund
Due and Payable (Ln 5 x .36%)** _____

Check or wire transfer number _____

SEND CHECK TO: BANK OF AMERICA NT&SA, A/C#10-10-022-5219780DEAF, P.O. BOX 37000, UNIT 16753
SAN FRANCISCO, CA. 94137-0001

**6. c Total California High Cost Fund (A) Surcharge
Due and Payable (Ln 5 x 0.0%)** _____

Check or wire transfer number _____

SEND CHECK TO: BANK OF CALIFORNIA A/C #001-031867, P.O. BOX 45056, SAN FRANCISCO, CA 94145-0056

**6. d Total California High Cost Fund (B) Surcharge
Due and Payable (Ln 5 x 2.87%)** _____

Check or wire transfer number _____

HOLD FUNDS UNTIL A TRUSTEE IS APPOINTED. YOU WILL BE DIRECTED WHERE TO REMIT.

**6. e Total California Teleconnect Fund Surcharge
Due and Payable (Ln5 x 0.41%)** _____

Check or wire transfer number _____

HOLD FUNDS UNTIL A TRUSTEE IS APPOINTED. YOU WILL BE DIRECTED WHERE TO REMIT.

I hereby certify that this return, including accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

Signature _____ Title _____ Date _____ Telephone No. _____

Typed Name _____ Company _____ CPUC# _____

COPIES OF THIS FORM AND INSTRUCTIONS, IN WORD FOR WINDOWS
FILE FORMAT, ARE AVAILABLE ON THE CALIFORNIA PUBLIC UTILITIES
COMMISSION HOME PAGE AT:
www.cpuc.ca.gov

REV 1/97

TRUST OFFICE USE ONLY
INPUT DATE _____
STATEMENT _____
DATE _____
BY _____

CALIFORNIA PUBLIC UTILITIES COMMISSION

Only one copy of this completed form should be sent to each of the following addresses:

California Public Utilities Commission
Telecommunications Division
Attn: Chief Public Programs Branch
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-1633
(415) 703-1965 (FAX)

CALIFORNIA RELAY SERVICE AND COMMUNICATIONS DEVICE FUND

MAIL CHECK AND
FORM TO:

Bank of America, NT & SA
A/C #10-10-022-5219780 DEAF
P.O. Box 37000, Unit 16753
San Francisco, CA 94137-0001

MAIL COPY OF FORM TO:

California Relay Service and Communications Device Fund
Attn: Barbara A. Romano
1939 Harrison St., Suite 520
Oakland, CA 94612
(510) 874-1410
(510) 287-2931 FAX

UNIVERSAL LIFELINE TELEPHONE SERVICE TRUST

MAIL CHECK AND
FORM TO:

Bank of America, NT & SA
A/C #10-10-022-5218860 ULTS
P.O. Box 37000, Unit 16753
San Francisco, CA 94137-0001

MAIL COPY TO:

Terry Gray
ADMINISTRATIVE COMMITTEE
ULTS Trust
1970 Broadway
Suite 650
Oakland, CA 94612